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RUEHKT/AMEMBASSY KATHMANDU 0151
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C O N F I D E N T I A L SECTION 01 OF 06 ASHGABAT 000489

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SUBJECT: BERDIMUHAMMEDOV, PUTIN, AND NAZARBAYEV: BACK IN
THE USSR

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[1](#)B. B) ASHGABAT 464

[1](#)C. C) 06 ASHGABAT 1150

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Classified By: Charge d'Affaires, a.i. Jennifer L. Brush for
reasons 1.4 (B) and (D).

SUMMARY

[1](#)1. (C) In a May 12 tripartite summit in Turkmenistan's western port of Turkmenbashi, President Berdimuhammedov -- along with visiting Russian President Putin and Kazakhstani President Nazarbayev -- agreed in principle to expand the Caspian littoral pipeline route (including possible construction of a parallel pipeline along that route) and to increase the capacity of the existing Central Asia-Center pipeline that runs through Uzbekistan and Kazakhstan, significantly increasing the amount of natural gas Turkmenistan can export to Russia.

[1](#)2. (C) The pipeline agreements, touted in international media as a victory for Putin on his Central Asia tour, could also be construed as a victory for Turkmenistan's new president: although the littoral pipeline does not solve the problem of Turkmenistan's dependence on Russia as a natural gas purchaser, over the near term it will increase export capacity and gas revenue for Turkmenistan. On May 14, Deputy Chairman for International Relations Meredov summoned the Charge to underscore that Berdimuhammedov publicly stated Turkmenistan's position of support for pipeline diversification, including, specifically, the Trans Caspian Pipeline (TCP). He said he looked forward to seeing a "concrete proposal" from the United States in this regard. Long-time Russia/Central Asia observer, Polish Ambassador

Maceij Lang told Charge on May 14 that Turkmenistan was moving inexorably back into the bosom of post -Soviet Mother Russia. The only way to reverse this trend was for the West to "do something," rather than sit around lamenting the loss of an opportunity. End Summary.

JOINT DECLARATION 1: NEW CASPIAN LITTORAL A "GO"

¶3. (U) During their May 12 tripartite summit in the Caspian port of Turkmenbashi, Russian President Putin, Kazakhstani President Nazarbayev, and Turkmenistani President Berdimuhammedov agreed to increase the capacity of the Caspian littoral pipeline (the "pri-Kaspiskii" pipeline, known in Soviet times as the Central Asia-Center Three), and to construct a new parallel pipeline along the same route that would increase Turkmenistan's gas exports to Russia by ¶2012. The joint declaration published following the summit contained general language instructing the three governments to prepare feasibility studies for the new pipeline and to sign a cooperation agreement by September 1, 2007, with construction scheduled to begin during the second half of ¶2008.

¶4. (U) In a statement following the summit, Putin said that a corresponding agreement on the pipeline's construction would be signed before July, and that concrete work on the pipeline was scheduled to begin in early 2008.

¶5. (U) The pipeline's cost was not publicly announced, but Russian media cited 2003 estimates placing construction costs at \$1 billion. (Comment: The pipeline's true cost probably will run much higher because of the rising costs of materials such as steel. End Comment.)

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CURRENT AND PLANNED LITTORAL PIPELINE CAPACITITES

¶6. (U) According to energy officials present at the summit, the existing Caspian littoral pipeline currently carries 4.2 billion cubic meters (bcm) annually (Comment: Our understanding is that because of degraded infrastructure the capacity is closer to 2 bcm per year. End Comment.), but with repairs its capacity is expected to reach 10 bcm per year. Putin said the new parallel littoral pipeline would pump at least 20 bcm of gas annually by 2012, and Russian Industry and Energy Minister Khristenko said that it could eventually carry 30 bcm, according to Russian press. According to Russian officials, increasing the capacity of the existing Caspian littoral pipeline and constructing the new parallel littoral pipeline will increase Turkmenistan's exports to Russia to approximately 80 bcm annually. (Note: This would include the Central Asia-Center pipeline that runs through Uzbekistan. Last year, according to Khristenko, Russia imported 41 bcm from Turkmenistan. End Note.)

EVERYTHING ACCORDING TO PLAN. . .

¶7. (SBU) Turkmenistan's ambitious Oil and Gas Development Plan (2007-2030), rolled out last November (ref C), estimated that Turkmenistan would double its gas production -- from 63 bcm (of which 45 bcm was exported) in 2005 to 120 bcm (100 bcm for export) by 2010. By 2030, according to the plan, Turkmenistan would increase its gas production to 250 bcm, exporting 200 bcm abroad, an impossible feat using the current pipeline network, which had a total approximate capacity of 60 bcm per year. Then- Deputy Chairman for Oil and Gas Gurbanmyrat Atayev said in November 2006 that in order to increase exports according to plan by 2030, Turkmenistan would build a new pipeline to the north along the Caspian coastline. He estimated that the new pipeline's capacity would start around 6 bcm per year, and by 2025 it would have a capacity of 30 bcm per year.

GAS PRICES CONSTANT

¶18. (U) Gazprom CEO Alexei Miller, who accompanied Putin in Turkmenbashi, said that the \$100 per thousand cubic meter (tcm) price for Turkmenistan's gas would last through 2009 and that new price negotiations would take place by July 2009.

JOINT DECLARATION 2: EXPAND CENTRAL ASIA-CENTER

¶19. (U) The summit's second publicized joint declaration, signed by the three presidents together with Uzbekistani President Karimov, who signed it ahead of the summit on May 9, concerned the rebuilding of the existing Central Asian pipeline network. The language of the published declaration -- similar to the declaration on the Caspian littoral pipeline -- was very general with no mention of eventual capacity, and called for a cooperation agreement to be prepared and signed by September 1, 2007, and for work to begin on reconstruction in the first half of 2008.

¶10. (U) Press reports suggested that the presidents reached an agreement to increase the transport capacity of the existing pipeline that currently carries Turkmenistan's gas to Russia through Kazakhstan and Uzbekistan to 90 bcm per year. (Note: The pipeline's capacity has declined over time because of degraded infrastructure, and the actual capacity is currently estimated at roughly 50 bcm per year. End Note.)

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FIVE AREAS OF DEVELOPMENT

¶11. (U) Altogether, the presidents agreed to five areas of development:

-- Constructing the new Caspian littoral pipeline and expanding the existing CAC pipeline.

-- Improving transportation links between the three countries, including construction of a "Yeraliyevo-Turkmenbashi" railroad that Berdimuhammedov said could eventually extend to the Iranian town of Gorgan to connect into the Turkish and Persian Gulf railway networks.

-- Creating a free economic zone in Turkmenbashi.

-- Increasing the frequency of cultural festivals.

-- Continuing discussions on Caspian Sea delimitation, which Berdimuhammedov said would be "friendly and prosperous" for all countries involved.

DEPUTY CHAIRMAN MEREDOV: TCP IS STILL ON THE TABLE

¶12. (C) Deputy Chairman for International Relations Rashit Meredov called Charge into his office on May 14 to discuss the summit and to reassure the USG that TCP was still an option. Meredov -- in high spirits following the weekend's festivities -- strongly emphasized that the Caspian littoral pipeline was an already-existing export route and would use only gas from the Caspian shelf and shore. In response to Charge's question, Meredov categorically said that the Dowletabat gas field was not a factor in negotiations with the Russians; "this is a completely separate issue." (Comment: Dowletabat is the promised reserve for any future TCP or Turkmenistan-Afghanistan-Pakistan (-India) pipeline. End Comment.)

¶13. (C) Meredov asked Charge to note Berdimuhammedov's publicized statements following the summit as proof that TCP was still on the table. In press statements, Berdimuhammedov

twice mentioned that he was considering multiple directions for gas export, and specifically mentioned China, Iran, TAP(I), and TCP as possible future options.

¶14. (C) In response to Charge's question, Meredov said he "was not in the room," during the Berdimuhammedov-Putin negotiations and therefore did not know if either raised the TCP. Charge cited Russian press reports stating that Putin would prevent a TCP and said she found it surprising that the subject was not raised during the negotiations. Charge said that Washington was likely to interpret the summit as a success for Russia and Gazprom, though Berdimuhammedov talked about pipeline diversification, the only concrete steps he was taking was to improve and increase gas delivery through Russia. Meredov countered, saying, "then give us a concrete proposal for a TCP and you'll see our policy really is diversification."

Poland - Less Talk, More Action

¶15. (C) During a May 14 meeting Polish Ambassador Maceij Lang, an expert both in post-Soviet and energy issues, told Charge the littoral pipeline deal could effectively kill any plans for a TCP. "If they go up to 80 bcm, there's not enough gas for a TCP," he said. He agreed that exploitation of Dowletabad could supply a TCP, but said an additional

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pipeline would be needed to get the gas from Dowletabad to the Caspian. Noting the successful Chinese gambit to get on-shore rights on the right side of the Amu Darya, Lang predicted this would be Russia's next step, "and if that happens, the game's over."

¶16. (C) According to Lang, the equally important story was the role of Kazakhstan (where he served prior to coming to Ashgabat). Lang said it was no coincidence that Putin scheduled the Turkmenbashi summit for the exact dates as the Krakow European Energy Summit. "He didn't want Nazarbayev to go to Krakow." According to Lang, Kazakhstan had given up on its own gas diversification, and put its gas future with Russia. In exchange, Lang said, Kazakhstan would explore expanded oil options with the West.

¶17. (C) Lang agreed that the current leadership in Turkmenistan both was nostalgic for and more comfortable with a return to the Soviet fold. "In Eastern Europe and the Baltics, the fall of the Soviet Union was liberation from oppression and was welcomed," he said, "in Central Asia, independence is a burden." Russia only now, he said, was getting better at bringing the post-Soviet states back into the fold. Citing the science fiction essay of a colleague who had worked as a Polish language teacher in post-independence Kyrgyzstan: "Imagine the United States dissolving, leaving 50 independent states. Imagine an independent state of Arizona where suddenly the Apaches took back their tribal lands and imposed the Apache language and culture on the colonialists. Imagine the colonized Apaches suddenly at a disadvantage because they had immersed themselves in American culture. Imagine the colonialists completely marginalized as they couldn't go to school or get a job. That's how the Russians felt in Central Asia. Only now are they figuring out how to proceed."

¶18. (C) Lang was pessimistic that there was anything the West could do to stop Berdimuhammedov from returning to the Russian bosom, but said we had to try. He said he had proposed to Deputy Foreign Minister Hajyev that Polish Deputy Energy Minister Piotr Naimsky come to Ashgabat to encourage diversification, but at this point he doubted if Turkmenistan would agree to the visit. Charge encouraged him to try anyway. "We have to do something," Lang concluded, "if we don't show them we can give them something, they'll move even closer to Russia."

¶19. (C) Over lunch with the A/DCM on May 12, Chinese DCM Li Hua claimed that the construction of a Caspian littoral pipeline would have little immediate impact on China's own gas exploration agreement with Turkmenistan. If China decided to act on the agreement, it would receive its gas from the Amu Darya region; gas prices and the size of the reserves would determine China's course.

¶20. (C) That said, however, Li was concerned that Russia's efforts to control Turkmenistan's gas exports was directed toward keeping the United States out of Russia's "near abroad," increasing Russia's political clout over Europe and creating a wedge between Europe and the United States. Pointing out that Putin had just signed a uranium enrichment agreement with Nazerbayev, Li suggested that the littoral pipeline agreement between the three presidents was part of a larger Russian strategy designed to control all sources of energy in Western Europe. However, Li

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believed that the United States would almost certainly have to oppose such a strategy, increasing tensions and -- possibly -- leading to a new "Cold War." Li was generally dismissive of the Warsaw energy summit, though he suggested that Russia might be willing to "give" the United States an assurance that it would not meddle with Polish efforts to establish a pipeline that did not run through Russia in exchange for U.S. agreement to abandon a Trans-Caspian pipeline.

MONEY CAN'T BUY YOU LOVE

¶21. (C) The summit was topped off by a Soviet-style spectacle in Turkmenbashi's new theater with Putin, Berdimuhamedov and Nazabayev seated in massive gold thrones surrounded by the mandatory audience of rhythmically-clapping socialist front participants, the "white beards," youth, women, trade unions, veterans, etc. The show itself consisted of -- to Western ears -- sensory assaulting modernized folk songs and dances with Moog-balalaikas and polyester gold lame national costumes. Ironically, one of the show's highlights was a string ensemble's version of the Beatles' classic, "Money Can't Buy You Love." The televised emission showed a visibly bored Putin, an apparently asleep Nazarbayev and a nervous-looking Berdimuhamedov. That these awful events still resonate in Turkmenistan is in and of itself evidence of Soviet nostalgia. As an embassy driver enthusiastically answered Charge's question, "it was wonderful, proof that music knows no borders."

COMMENT

¶22. (C) The Turkmenbashi summit declarations, as suggested in the press, represent a victory for Putin, who launched his Central Asia tour determined to secure commitments from his southern neighbors that would bolster Russia's energy supplies. The declarations, however, might also represent a win for Berdimuhamedov, who -- just a few months into his presidency -- has not only secured construction of an expanded pipeline route that was central to Niyazov's Oil and Gas Development Plan, but in doing so has left the door open for additional routes and investors. His courting of Chevron and British Petroleum (whose delegation's visit is now scheduled for late May) for development of the country's oil reserves is a way of keeping a foot in each camp, dealing on one level with Western energy leaders and on another level

with Turkmenistan's most familiar partner -- Russia.

¶23. (C) If the reserves that are intended for the expanded Caspian littoral pipeline are indeed the Caspian shelf and shore reserves, then expansion of this pipeline route is a practical move. Late last year, embassy officers heard from Turkmenistani officials and company representatives that gas was being flared in that area due to insufficient export capacity, a practice that we assume has continued.

¶24. (C) Meredov's call to Charge following the summit, an effort to reassure the USG that all export options are still open, may be just another move in the Turkmenistan gas game. It could, however, also reflect a real expectation in Ashgabat that Turkmenistan can and will pursue pipelines in every direction. At the end of the day, Berdimuhammedov's first energy commitments -- not unexpectedly -- were to Russia, a familiar partner that represents a greater level of political security to a new and less experienced president.

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Following through on additional diversification options, however, in particular a Western-oriented TCP, will involve a characteristic we have yet to see in Berdimuhammedov -- guts.

End Comment.

BRUSH